

Message Text

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ACTION SIG-02

INFO OCT-01 ISO-00 ONY-00 /003 W
----- 089527

R 020650Z DEC 76

FM AMEMBASSY BUDAPEST

TO SECSTATE WASHDC 7461

C O N F I D E N T I A L SECTION 1 OF 2 BUDAPEST 4047

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FOR THE INSPECTOR GENERAL ONLY

EO 11652: GDS

TAGS: ASIG

SUBJECT: SPECIAL INSPECTION OF FBO

REF: STATE 253838

1. SUMMARY: RE PARA 2 REFTEL:

(A) EMBASSY SUGGESTS THAT S/IG INVESTIGATE FBO'S RELATIONSHIP WITH VIENNA FIRM, THIERGAERTNER UND STOEHR;

(B) OUTSTANDING PROBLEMS ARE EXCESS USG PROPERTY IN BUDAPEST AND POOR CONDITION OF USG PROPERTIES;

(C) EMBASSY PROPOSES STAFFING FBO WITH MORE FS PERSONNEL TO IMPROVE RESPONSIVENESS OF FBO TO OVERSEAS PROBLEMS, AND ANNUAL OR BIENNIAL VISIT TO INSPECT USG-OWNED PROPERTIES.
END SUMMARY.

2. EMBASSY SUGGESTS AN INVESTIGATION OF FBO'S CONNECTION WITH VIENNA FIRM, THIERGAERTNER UND STOEHR (T&S), WHOSE REPRESENTATIVE CLAIMS FIRM DOES FBO'S OIL HEATING INSTALLATIONS IN POLAND, CZECHOSLOVAKIA, ROMANIA, HUNGARY AND USSR. FOLLOWING PARAS (3-9) ARE SUMMARY OF BUDAPEST'S RECENT EXPERIENCE WITH HEATING SYSTEM CONVERSIONS:

3. IN FEBRUARY 1974 T&S SUBMITTED BIDS FOR CONVERSION FROM COAL TO OIL HEATING AT THREE USG-OWNED PROPERTIES.

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IN MAY 1974 EMBAESY SUBMITTED PROPOSAL FOR CONVERTING

SAME THREE PROPERTIES TO NATURAL GAS HEATING, AT COSTS ESTIMATED TO BE \$56,000 LESS THAN T&S PROPOSAL. CONVERSION TO GAS WAS TO BE ACCOMPLISHED BY HUNGARIAN CONTRACTORS, THEREBY ELIMINATING COSTS OF (A) AUSTRIAN LABOR, (B) TRANSPORTATION OF MATERIALS FROM VIENNA, AND (C) PER DIEM AND HOUSING EXPENSES FOR IMPORTED WORKMEN AND SUPERVISORS. GAS HEAT WOULD ELIMINATE UNRELIABLE AND EXPENSIVE FUEL OIL DELIVERIES; REPAIRS COULD BE DONE BY HUNGARIAN CONTRACTORS (RATHER THAN IMPORTING VIENNESE TECHNICIANS WITH HIGH WAGES PLUS TRAVEL AND PER DIEM COSTS). FURTHERMORE, CITY OF BUDAPEST WAS IN PROCESS OF MASSIVE CONVERSION TO GAS HEAT ON STREETS WHERE TWO EMBASSY RESIDENCES LOCATED AND CONVERSION COULD HAVE BEEN COMPLETED WITH EFFICIENCY AND DISPATCH.

4. IN NOVEMBER 1974 EMBASSY REPLIED TO FBO REQUEST FOR FURTHER INFORMATION ON CONVERSIONS TO GAS AND OIL, THEN HEARD NO MORE. EMBASSY INQUIRED IN MARCH 1976 RE STATUS OF REQUEST AND AGAIN STRONGLY URGED CONVERSION TO GAS HEATING. FBO REPLIED WITH REQUEST FOR ADDITIONAL INFORMATION (STATE 074505), WHICH EMBASSY SUPPLIED IN APRIL 1976 BUDAPEST 1102).

5. EMBASSY FIRST LEARNED ABOUT APPROVAL OF PROJECT FOR OIL HEATING WHEN T&S REPRESENTATIVE TELEPHONED EMBASSY HUNGARIAN EMPLOYEE, REPORTING THAT FBO FUNDS AVAILABLE FOR ONE OR TWO CONVERSIONS TO OIL, REPEAT OIL, HEATING. T&S REPRESENTATIVE INFORMED EMBASSY LOCAL EMPLOYEE THAT FBO'S DECISION ON CONVERSION TO OIL, RATHER THAN GAS, WAS "FOR SECURITY REASONS" BECAUSE GOH COULD SHUT OFF GAS IF IT WISHED. THIS RIDICULOUS STATEMENT, OF COURSE, IGNORES FACT THAT IF IT SO DESIRED, GOH COULD DO SAME WITH OIL.

6. EMBASSY INFORMED FBO OF T&S PHONE CALL TO LOCAL EMPLOYEE (BUDAPEST 1565), CITED REASON GIVEN BY T&S FOR INSTALLING OIL SYSTEM, AND ASKED FOR STATUS OF ITS REQUEST FOR GAS HEATING SYSTEMS (BUDAPEST 746). IN ITS REPLY (STATE 124800) FBO MADE NO, REPEAT NO, REFERENCE TO EMBASSY CONFIDENTIAL

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TELEGRAM BUT UNBLINKINGLY AUTHORIZED OIL HEATING CONVERSION BY T&S FOR TWO PROPERTIES AT TOTAL COST OF \$57,722 FOR T&S WORK (LATER INCREASED BY \$3,950 BECAUSE OF DECLINE IN DOLLAR VS SCHILLING), PLUS COSTS OF HUNGARIAN MASONRY WORK (BUDAPEST 3475).

7. ADDITIONAL PROVISIONS OF T&S BID REQUIRED EMBASSY TO: (A) SUPPLY HOUSING FOR 4-6 AUSTRIAN WORKMEN DOR

INSTALLATION PERIOD (TWO MONTHS THIS SUMMER), AND (B)
TRANSPORT ALL EQUIPMENT AND MATERIALS BETWEEN VIENNA
AND BUDAPEST (SIX ROUND TRIPS BY EMBASSY TRUCK AND
EMPLOYEES). FOR FUTURE MAINTENANCE AND REPAIR,
REPAIRMEN AND SPARE PARTS COME FROM AUSTRIA, AND
EMBASSY PAYS FOR TRANSPORTATION AND PER DIEM COSTS.

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ACTION SIG-02

INFO OCT-01 ISO-00 ONY-00 /003 W
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R 020650Z DEC 76

FM EMBASSY BUDAPEST
TO SECSTATE WASHDC 7462

C O N F I D E N T I A L SECTION 2 OF 2 BUDAPEST 4047

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FOR THE INSPECTOR GENERAL ONLY

8. FBO (STATE 124800) JUSTIFIED CHOICE OF OIL HEATING
OVER GAS, CITING T&S REPRESENTATIVE, WHO ADVISED THAT
GAS SERVICE IN BUDAPEST IS "UNRELIABLE". EMBASSY NOTES
THAT FBO DID NOT MAKE ANY ON-SITE, INDEPENDENT INSPECTION
TO DETERMINE VALIDITY OF CONTRACTOR'S STATEMENT, NOR
DID IT RESPOND TO EMBASSY RECOMMENDATION FOR GAS HEATING.
SINCE T&S SPECIALIZES IN OIL HEATING INSTALLATIONS, AND
NOT GAS, IT SEEMS LOGICAL T&S REPRESENTATIVE WOULD
RECOMMEND OIL HEATING. EMBASSY'S EXPERIENCE, BASED ON
USE OF GAS FOR COOKING IN VIRTUALLY ALL USG PROPERTIES,
IS THAT GAS IS RELIABLE. MOREOVER, TWO HOUSING UNITS
LEASED FOR EMPLOYEES OF EMBASSY USE GAS FOR HEATING;
THESE UNITS ARE PART OF LARGE APARTMENT COMPLEX FOR
DIPLOMATIC COMMUNITY. SINCE CONTRACT FOR T&S HAD
ALREADY BEEN APPROVED BY FBO, AND SINCE CONVERSION HAD
TO BE AFFECTED DURING SUMMER MONTHS IN ORDER TO HAVE
HEAT FOR FALL AND WINTER, EMBASSY HAD NO RECOURSE BUT
TO GO ALONG WITH FBO DECISION. FOLLOWING INSTALLATION,
HEATING AT PROPERTY NUMBER 14244 HAS NOT FUNCTIONED
WELL, NOT AS WELL AS IT DID WITH COAL. T&S HAS BLAMED

MINNEAPOLIS HONEYWELL (M&H) WHICH INSTALLED THERMOSTAT, AND M&H HAS BLAMED T&S FOR DIFFICULTIES. ALL IN ALL, INSTALLATION WAS SLOPPY JOB, COMPLETED WELL BEYOND STATED DEADLINE, AND EMBASSY HAS REFUSED TO MAKE FINAL PAYMENTS TO T&S PENDING CLEAR-CUT EVIDENCE THROUGH SUSTAINED PERFORMANCE THT HEATING SYSTEM FUNCTION
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PROPERLY.

9. T&S REPRESENTATIVES, UPBRAIDED BY CHARGE FOR SLOPPY, INEFFICIENT INSTALLATION EFFORT AND FAILURE OF HEAT AND HOT WATER SYSTEM TO PERFORM PROPERLY, BLAMED EVERYTHING ON OLD PIPES IN RESIDENCE. CHARGE REMINDED T&S REPRESENTATIVE THAT HIS FIRM WAS SUPPOSED TO BE A REPUTABLE AND COMPETENT HEATING ENGINEERING FIRM. HOW COULD HIS FIRM HAVE INSTALLED ALL THIS GEAR IF IT KNEW PIPES WERE DEFECTIVE? WASN'T FIRM AWARE THAT SYSTEM WOULD BE NO GOOD IF PIPES ARE DEFECTIVE? HIS REPLY WAS, FBO WAS TOLD THIS, BUT SINCE IT DID NOT HAVE FUNDS ENOUGH TO COVER INSTALLATION OF NEW PIPES, FBO WENT AHEAD ANYHOW AND AUTHORIZED INSTALLATION OF REST OF SYSTEM*

10 SERIOUS OUTSTANDING PROBLEMS:

(A) DISPOSAL OF EXCESS USG PROPERTY IN GUDAPEST -- DESCRIPTION OF HISTORY OF PROPERTIES AND STATEMENT OF CURRENT PROBLEMS ARE CLEARLY STATED N FORMER AMBASSADOR MCAULIFFE'S NINE TELEGRAMS (BUDAPEST 1109 THRU 1117). ACCORDING TO ANNUAL POLICY ASSESSMENT (STATE 218409), FOLLOWING COMPLETION OF CURRENT USG-GOH NEGOTIATIONS ON WORLD WAR I RELIEF DEBT AND SIGNING OF CULTURAL/SCIENTIFIC AGREEMENT, DISPOSAL OF EXCESS USG PROPERTY WILL BE NEXT NEGOTIATION. IN ANTICIPATION OF THIS, CHARGE'S TELEGRAM TO DEPUTY ASSISTANT SECRETARY ARMITAGE (BUDAPEST 3468) REQUESTED VISIT BY FBO EXPERTS TO: ASSESS PROPERTIES; FORMULATE PLANS FOR DISPOSAL OF UNPRODUCTIVE PROPERTIES; ACQUIRE OR BUILD NEEDED HOUSING, CHANCERY, WAREHOUSE AND GARAGE FACILITIES; AND TO ESTABLISH PRIORITIES FOR REPAIRS AND IMPROVEMENTS TO CURRENT PROPERTIES. FOR REASONS ABOUT WHICH WE CAN ONLY SPECULATE, DEPT HAS INDICATED THAT DISPATCH OF AN FBO EXPERT IN RESPONSE TO OUR REQUEST IS UNLIKELY IN NEAR FUTURE (STATE 289575).

(B) SERIOUS DETERIORATION OF USG PROPERTIES -- NO FBO REPRESENTATIVE HAS VISITED BUDAPEST, AS FAR AS PRESENT STAFF CAN DETERMINE, SINCE 1972. PIPES AND PLUMBING BURST OR SPRING LEAKS ALMOST DAILY. THIERGAERTNER UND STOEHR REPRESENTATIVE SAYS FBO AWARE OF BAD PIPES
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IN PROPERTY NUMBER 14244 IN 1972, YET APPROVED CONVERSION OF HEATING SYSTEM IN 1976, LEAVING PIPES CONDUCTING WATER AND HEAT IN A STATE OF DETERIORATION. PIPES IN CHANCERY AND IN LARGEST APARTMENT COMPLEX ARE IN EVEN MORE PRECARIOUS CONDITION. HUNGARIAN GOVERNMENT TENANTS, RENTING OFFICE SPACE FROM THE USG, ANNUALLY REQUEST REPAIRS TO PROPERTIES THEY OCCUPY. FBO HAS SO FAR NOT BEEN INCLINED TO SPEND ANY RENTAL MONIES ON IMPROVEMENTS (STATE 274055, BUDAPEST 3719, 75 STATE 219688, 75 BUDAPEST 2748).

11. FBO HAS REPUTATION FOR UNRESPONSIVENESS TO REQUESTS BY OVERSEAS POSTS. MORE FS, AND LESS GS, OFFICERS ON STAFF MIGHT IMPROVE RESPONSIVENESS. FBO REPRESENTATIVES SHOULD BE REQUIRED TO MAKE ANNUAL OR BIENNIAL VISITS TO ALL USG-OWNED PROPERTIES. PROPERTIES OWNED BY USG IN BUDAPEST PROVIDE EXAMPLES OF FBO'S NEGLECT, MUCH OF WHICH IS, TO BE GENEROUS, BENIGN. WHY HAS IT NOT BEEN POSSIBLE TO GET A RESPONSE FROM FBO TO OUR PERSISTENT REQUESTS FOR BUILDING ENGINEERS TO COME HERE TO ASSESS VALUE OF PROPERTY USG OWNS, MAKE SUGGESTIONS RE OUR NEEDS, DRAW UP ALTERNATIVE PROPOSALS, AND PREPARE A U.S. NEGOTIATING POSITION FOR EVENTUAL APPROACH TO GOH? WHY? MUDH

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